STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. EEP-02-38

ORDER DOCKETING MODIFICATION, ESTABLISHING PROCEDURAL SCHEDULE, AND REQUIRING ADDITIONAL INFORMATION

(Issued February 26, 2004)

On June 3, 2003, the Utilities Board (Board) issued its "Final Decision and Order" (Final Decision) in this docket, approving a new energy efficiency plan for Interstate Power and Light Company (IPL). Included in the Final Decision was a requirement that IPL file a report on or before September 30, 2003, containing information on the level of interruptible credits. (Final Decision, Ordering Clause No. 8.) IPL was ordered to address several issues in the report, including how much interruptible capacity is needed, what types of interruptibility are technically feasible and the pros and cons of each, whether competitive bidding would assist in establishing appropriate customer incentives, and how, absent a bidding procedure, payments could be revised to provide appropriate incentives.

IPL filed a motion on August 8, 2003, to extend the date for filing the report to December 31, 2003. The Board granted the motion by order issued August 27, 2003, and directed IPL to file a formal energy efficiency plan modification for

implementation of IPL's proposed changes to interruptible credits no later than January 30, 2004.

IPL filed the required report on December 31, 2003, and filed its application to modify the interruptible credit structure on January 30, 2004. The Consumer Advocate Division of the Department of Justice (Consumer Advocate), Ag Processing Inc (Ag Processing), and the Iowa Consumers Coalition (ICC) each filed responses or objections to the application. Other entities, including Deere & Company, the Iowa Industrial Intervenors, Swiss Valley Farms, Co., and MidAmerican Energy Company have also intervened in proceedings involving IPL's energy efficiency plan.

Consumer Advocate objected to IPL's proposal as lacking sufficient detail. Consumer Advocate asked the Board to deny IPL's application and direct it to immediately establish an interruptible credit consistent with IPL's avoided generation capacity costs. Consumer Advocate also requested that the Board direct IPL to file a plan to, among other things, eliminate disparities in interruptible credits. In the alternative, Consumer Advocate said IPL's filing should be docketed and a procedural schedule established.

The ICC said that IPL's proposal lacked sufficient detail to meaningfully evaluate it and, therefore, the ICC could not support or oppose the proposal at this time. Ag Processing said that while it does not participate in the interruptible program, its rates include the costs of the program. Ag Processing also said IPL's proposal was too vague to properly evaluate.

Consumer Advocate, the ICC, and Ag Processing all agree that IPL's application does not contain sufficient information for proposed modification to be properly evaluated. The Board agrees that the application is deficient.

IPL filed a motion on February 24, 2004, to modify the procedural schedule proposed in its initial filing. The proposed schedule will be rejected. In its June 3, 2003, order, the Board directed IPL to file a report that was to include a proposal to address disparities and inconsistencies in the current interruptible credit incentives. IPL received an extension on August 27, 2003, but still has not made a detailed proposal. In its motion, IPL does not propose to file a detailed proposal until May 24, 2004. This is almost one year after the Board's initial order regarding these issues. The Board will not adopt IPL's procedural schedule and will instead direct IPL to file a detailed proposal within 30 days from the date of this order that is in compliance with the Board's June 3, 2003, order.

The Board will also require IPL to provide additional information in support of its application. This information will also be required within 30 days. In order to move consideration of these issues forward, the Board will docket the application and set a procedural schedule. The schedule will be set to allow parties time for discovery following the filing of the detailed proposal and additional information. The Board believes that with the additional information the Board will require and the requirement for a detailed proposal, there will be sufficient information to evaluate IPL's proposal.

IPL will be required to provide the following additional information within 30 days from the date of this order.

1. Explain what is meant by the "events" listed on page 10 of the Report and how much customer load was actually interrupted during the "partial" interruptions, "high probability" events, and "medium probability" events.

2. Provide an updated version of the Attachment to Question 23.a. that was filed by IPL on December 9, 2002, in Docket No. EEP-02-38, in response to the Board's order requiring additional information. This update is to include the following:

a. All actual interruptions in calendar year 2003, listed by date, day of week, time of duration, actual amount of megawatts interrupted, estimated maximum interruptible capacity available, and number of participants for the year.

b. For each actual interruption in the updated table, from 1997 through 2003, the Total Internal Demand and Net Internal Demand, at the time of the interruption event, associated with each event of actual interruption. If some other method of measuring total system demand is used for after-the-fact measurement of actual demand, provide the measurement of peak system demand on this basis and provide a comparison or correlation of these data with the

numbers for Total Internal Demand and Net Internal Demand used for forecasting.

3. Provide numbers for Participant costs used in the Societal and Participant tests for the Interruptible Credit program, including a description of how the Participant costs were estimated.

4. Provide an analysis of the recent history of Interruptible Credits using Consumer Advocate Exhibits 105 and 106, filed in Docket No. EEP-02-38, as follows:

a. Construct an Excel spreadsheet that combines the lists of customers' data from Exhibits 105 and 106. Maintain the anonymity of individual customers by using the customer numbers from each exhibit, combined with the "Group" numbers; for example, customer number 37 from Group 16 would become customer number 16-37. Include all data from Consumer Advocate Exhibits 105 and 106, including Pricing Zone and number of interruptions.

b. Construct a new spreadsheet by sorting the combined list of customers in the Excel spreadsheet by amount of $/kW credit paid in 2002, in descending order.

c. Separate from the sorted list created in "b" the data for customers with no data for 2002 and customers with zero MW available.

d. Using the sorted list from "c," sum the total credits paid in 2001 and 2002 and kW available for interruption and divide the total dollars paid in 2001 and 2002 by total kW available for interruption.

e. Repeat the calculation of the average dollars per kW for the subset of customers with credits per kW of less than $117.42.

f. Create another Excel spreadsheet showing the effects of adopting various hypothetical levels of interruptible credits, as single-value credits applicable to all participating customers, in dollars per kW. Use the spreadsheet from "d" above, which excludes customers with no data or zero MW. Use the following credit levels: IPL's proposed maximum credit of $117.42/kW; the weighted average $/kW for 2002 from "d" above; the weighted average $/kW for 2002 from "e" above; the generation avoided cost of $54.88/kW for 2004 from Table 5-2 in the IPL Report filed December 31, 2003, and a hypothetical credit per kW of $3 per kW-month, consistent with the figure in the testimony by IPL's witness as noted in Consumer Advocate's Objection on page 11.

(1) Calculate for each value in the list of designated single-value $/kW credits: (a) the number of "high credit" 2002 customers (customers with 2002 $/kW above the single-value credit); (b) the sum of dollars paid to "high credit" 2002 customers; (c) the sum of dollars that would be paid to "high

credit" 2002 customers at the selected single-value credit; (d) the difference between the sums obtained in (b) and (c); and (e) the amounts of kW available for interruption offered by customers above the single-credit value.

(2) Calculate for each value in the list of designated single-value $/kW credits: (a) the number of "low credit" 2002 customers (customers with 2002 $/kW below the single-value credit); (b) the sum of dollars paid to "low credit" 2002 customers; (c) the sum of dollars that would be paid to "low credit" 2002 customers at the selected single-value credit; (d) the difference between the sums obtained in (b) and (c); and (e) the amounts of kW available for interruption offered by customers below the single-credit value.

(3) Calculate the total cost of the hypothetical interruptible credits by adding f.1(c) and f.2(c). State the total actual cost of interruptible credits paid in 2002, excluding customers with no data or zero MW. Calculate the difference between the hypothetical credits and the 2002 credits.

g. Create a new spreadsheet using the sorted list of all customers from "c" above, but using only the data categories of ID number, 2002 credit paid, 2002 kW available, a hypothetical

payment per customer using the average $/kW for 2002 from "d" above, and the difference between the hypothetical credit paid and the actual dollars paid to each customer in 2002.

5. Using the Excel spreadsheet developed for Item 4.b, provide for all interruptible customers the total annual electricity costs billed to these customers under the interruptible rate in 2002. In order to avoid revealing sensitive customer information, aggregate customers' billed revenues into four segments, with a midpoint based on the weighted average determined in Item 4.d and quartile divisions at the average $/kW for groups of customers above and below the average $/kW for all customers.

6. Explain what steps IPL is taking to obtain data from customers with no data and why customers with zero MW continue to be paid interruptible credits.

7. Explain the methodology and procedures to be used by IPL to prepare the various analyses needed for the "Modification Supplement," including the following:

a. Explain why the rate case will impact customers' interruptible credits and how IPL will analyze the impacts.

b. Explain how IPL will estimate the impact of credit changes on customer behavior.

c. Explain how IPL will model the impact of customer behavioral changes on program cost-effectiveness.

d. Apply the procedures and models listed in Table 4.2 of the Application to the list of customers with kW available for interruption for 2002. State the results in terms of the impacts of credit changes and customer behavior for the following list of hypothetical interruptible credits: IPL's proposed maximum credit of $117.42/kW; the weighted average $/kW for 2002 from Item 4.d above; the weighted average $/kW for 2002 from 4.e above; the generation avoided cost of $54.88/kW for 2004 from Table 5-2 in the IPL Report filed December 31, 2003, and a hypothetical credit per kW of $3 per kW-month, consistent with the figure in testimony by IPL's witness, noted in Consumer Advocate's Objection on page 11.

8. Provide a detailed proposal in compliance with the Board's June 3, 2003, order.

IT IS THEREFORE ORDERED:

1. The energy efficiency plan modification filed by Interstate Power and Light Company on January 30, 2004, is docketed pursuant to 199 IAC 35.6(4), and an investigation is instituted to determine the reasonableness of IPL's proposed energy efficiency plan modification. This matter will be identified as Docket No. EEP-02-38, a formal contested case proceeding. The expenses reasonably

attributable to this investigation shall be assessed to IPL in accordance with Iowa Code § 476.10.

2. The following procedural schedule is established:

a. The parties shall notify the Board prior to May 3, 2004, if they desire a prehearing conference.

b. Consumer Advocate and any intervenors shall file prepared direct testimony, with underlying workpapers and exhibits, on or before April 30, 2004. If a party references a data request in its prepared testimony, the data request shall be filed as an exhibit.

c. If Consumer Advocate and any intervenors find it necessary to file testimony in rebuttal to each other's direct testimony, they may file rebuttal testimony on or before May 14, 2004.

d. IPL shall file its rebuttal testimony, with underlying workpapers and exhibits, on or before May 28, 2004.

e. The parties shall file a joint statement of the issues on or before June 3, 2004.

f. All parties that choose to file a prehearing brief may do so on or before June 7, 2004.

g. A hearing shall be held beginning at 9 a.m. on July 7, 2004, for the purpose of receiving testimony and the cross-examination of all testimony. The hearing shall be held in the Board’s Hearing Room, 350 Maple Street,

Des Moines, Iowa. The parties shall appear one-half hour prior to the time of the hearing for the purpose of marking exhibits. Persons with disabilities requiring assistive services or devices to observe or participate should contact the Utilities Board at (515) 281-5256 in advance of the scheduled date to request that appropriate arrangements be made.

3. In the absence of objection, all underlying workpapers shall become a part of the evidentiary record of these proceedings at the time the related testimony and exhibits are entered into the record.

4. In the absence of objection, all data requests and responses referred to in oral testimony or on cross-examination which have not been previously filed shall become a part of the evidentiary record of these proceedings. The party making reference to the data request shall file an original and six copies of the data request and response with the Board at the earliest possible time.

5. In the absence of objection, when the Board has called for further evidence on any issue and the evidence is filed after the close of the hearing, the evidentiary record will be reopened and the evidence will become part of the record five days after the evidence is filed with the Board. All evidence filed pursuant to this paragraph shall be filed no later than seven days after the close of the hearing in this proceeding.

6. IPL shall file the additional information identified in this order, including a detailed proposal, within 30 days from the date of the order.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 26th day of February, 2004.

Items of additional information to be provided by IPL.

Item 1.

Explain what IPL means by the “events” listed on page 10 of the Report, and how much customer load was actually interrupted during the “partial” interruptions, “high probability” events and “medium probability” events.

Item 2.

Provide an updated version of the Attachment to Question 23.a., filed as part of IPL’s Filing of Additional Information in Docket No. EEP-02-38, filed December 9, 2002, including:

a. All actual interruptions in calendar year 2003, listed by date, day of week, time of duration, estimated actual amount of megawatts interrupted, estimated maximum interruptible capacity available, and number of participants for the year.

b. For each actual interruption in the updated table, from 1997 through 2003, the Total Internal Demand and Net Internal Demand, at the time of the interruption event, associated with each event of actual interruption. If some other method of measuring total system demand is used for after-the-fact measurement of actual demand, provide the measurement of peak system demand on this basis and provide a comparison or correlation of these data with the numbers for Total Internal Demand and Net Internal Demand used for forecasting.

Item 3.

Provide numbers for Participant costs, used in the Societal and Participant tests for the Interruptible Credit program, including a description of how the Participant costs were estimated.

Item 4.

Provide an analysis of the recent history of Interruptible Credits using OCA Exhibits 105 and 106, as follows:

a. Construct an Excel spreadsheet which combines the lists of customers’ data from Exhibits 105 and 106. Maintain the anonymity of individual customers by using the customer numbers from each exhibit, combined with the “Group” numbers; for example customer number 37 from Group 16 would become customer number 16-37. Include all data from OCA Exhibits 105 and 106, including Pricing Zone and number of interruptions.

b. Construct a new spreadsheet by sorting the combined list of customers in the Excel spreadsheet by amount of $/kW credit paid in 2002, in descending order.

c. Separate from the sorted list created in “b” the data for customers with no data for 2002, and customers with zero MW available.

d. Using the sorted list from “c”, sum the total credits paid and kW available for interruption, and divide the total dollars paid by total kW available for interruption in 2001 and 2002.

e. Repeat the calculation of the average dollars per kW, for the subset of customers with credits per kW less than $117.42.

f. Create another Excel spreadsheet showing the effects of adopting various hypothetical levels of interruptible credits, as single-value credits applicable to all participating customers, in dollars per kW. Use the spreadsheet from “d” above, which excludes customers with no data or zero MW. Use the following credit levels:

- IPL’s proposed maximum credit of $117.42/kW;
- the weighted average $/kW for 2002 from “d” above;
- the weighted average $/kW for 2002 from “e” above;
- the generation avoided cost of $54.88/kW for 2004 from Table 5-2 in the IPL Report filed December 31, 2003.
- A hypothetical credit per kW of $3 per kW-month, consistent with the figure in testimony by IPL’s witness, noted in OCA’s Objection on page 11.

f.1 Calculate for each value in the list of designated single-value $/kW credits: (a) the number of “high credit” 2002 customers (customers with 2002 $/kW above the single-value credit), (b) the sum of dollars paid to “high credit” 2002 customers, (c) the sum of dollars that would be paid to “high credit” 2002 customers at the selected single-value credit, (d) the difference between the sums obtained in (b) and (c), and (e) the amounts of kW available for interruption offered by customers above the single-credit value.

f.2 Calculate for each value in the list of designated single-value $/kW credits: (a) the number of “low credit” 2002 customers (customers with 2002 $/kW below the single-value credit), (b) the sum of dollars paid to “low credit” 2002 customers, (c) the sum of dollars that would be paid to “low credit” 2002 customers at the selected single-value credit, (d) the difference between the sums obtained in (b) and (c), and (e) the amounts of kW available for interruption offered by customers below the single-credit value.

f.3 Calculate the total cost of the hypothetical interruptible credits by adding f.1(c) and f.2(c). State the total actual cost of interruptible credits paid in 2002, excluding customers with no data or zero MW. Calculate the difference between the hypothetical credits and the 2002 credits.

g. Create a new spreadsheet by listing all customers with complete data for 2002, but using only the data categories of ID number, 2002 credit paid, 2002 kW available, hypothetical payment per customer using the average $/kW for 2002 from "d" above, and the difference between the 2002 credit paid and the actual dollars paid to each customer in 2002.

Item 5.

Using the Excel spreadsheet developed for Items 4.a and 4.b, provide for all interruptible customers the total annual electricity costs billed to these customers under the interruptible rate in 2002. In order to avoid revealing sensitive customer information, aggregate customers' billed revenues into four segments, with a midpoint based on the weighted average determined in Item 4.d, and quartile divisions at the average $/kW for groups of customers above and below the average $/kW for all customers.

Item 6.

Explain what steps IPL is taking to obtain data from customers with no data, and why customers with zero MW continue to be paid interruptible credits.

Item 7.

Explain the methodology and procedures to be used by IPL to prepare the various analyses needed for the "Modification Supplement," including the following:

a. Explain why the rate case will impact customers' interruptible credits, and how IPL will analyze the impacts.

b. Explain how IPL will estimate the impact of credit changes on customer behavior.

c. Explain how IPL will model the impact of customer behavioral changes on program cost-effectiveness.

d. Apply the procedures and models listed in Table 4.2 of the Application to the list of customers with kW available for interruption, for 2002. State the results in terms of the impacts of credit changes and customer behavior for the following list of hypothetical interruptible credits:

- IPL's proposed maximum credit of $117.42/kW;
- the weighted average $/kW for 2002 from Item 4.d above;
- the weighted average $/kW for 2002 from 4.e above;
- the generation avoided cost of $54.88/kW for 2004 from Table 5-2 in the IPL Report filed December 31, 2003.
- A hypothetical credit per kW of $3 per kW-month, consistent with the figure in testimony by IPL's witness, noted in OCA's Objection on page 11.